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Central Intelligence Agency



Washington, D. C. 20505

Executive Registry

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23 March 1983

MEMORANDUM FOR: Craig L. Fuller
Assistant to the President
for Cabinet Affairs

SUBJECT : USTR Brock's Proposal to Amend the Proclamation
Suspending Most Favored Nation (MFN) Treatment
for Poland

1. Concerning USTR Brock's proposal to amend the proclamation suspending Most Favored Nation (MFN) treatment for Poland, we are providing the following observations concerning likely Polish and West European reactions.

2. The Poles are unlikely to see the amendment as a positive step toward improving US-Polish relations. Because of the small number of firms affected and the short time frame involved, the Poles would recognize that the major purpose of the change is to help a few US businesses, not the regime. Warsaw will not see the move as the important "first step" they insist the US must make to begin the restoration of favorable relations. In financial terms, the Poles would recoup little if any of the \$40 million annually they calculated they would lose as a result of the suspension of MFN.

3. Since West European governments did not follow the US lead in suspending MFN treatment for Polish products, a decision to amend Proclamation 4991 will have no direct impact on West European-Polish relations. West Europeans continue to maintain that the suspension of MFN status is strictly a bilateral issue between Washington and Warsaw that does not presume a broader application within the Alliance.

4. Enactment of the recommendation, however, could pose problems for future West European-US relations. West European governments could point to such action as US acceptance of the "sanctity of contracts" concept that was so vigorously maintained by the Allies last year when US sanctions were imposed against Siberian pipeline equipment. The European Community in particular could view this as ammunition to argue that a "contract sanctity"

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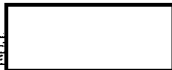
clause should be included when the Export Administration Act is renewed. On the other hand, if the US specifies that this act does not change its traditional policy, West Europeans probably would contend cynically that the US now is bowing to the kind of business pressure their governments were expected to resist during the pipeline dispute.



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Executive Secretary

TBC:kae



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